

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 EUR-12 EA-10 TRSE-00 OMB-01
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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 1727

C O N F I D E N T I A L KINGSTON 4703

E.O. 11652: GDS
TAGS: ECON, EFIN, JM, EAID
SUBJECT: BALANCE OF PAYMENTS SUPPORT FOR JAMAICA

REF: STATE 145555

1. APPRECIATE REFTEL REPORT ON JUNE 1 MEETING OF COUNTRIES
INTERESTED IN CONSIDERING FURTHER BOP SUPPORT FOR JAMAICA.

2. I NOTE THAT THE U.S. REPRESENTATIVE, CHARLES F.
MEISSNER, MADE THE POINTS THAT WE DO NOT HAVE A PROGRAM
MECHANISM PROVIDING QUICK DISBURSING BOP SUPPORT SOLELY
FOR ECONOMIC STABILIZATION AND THAT RESOURCES CHanneled
THROUGH THE NEW CARRIBBEAN DEVELOPMENT FACILITY INVOLVES
A TECHNICAL PROBLEM, NAMELY TO ARRANGE FOR BOP IMPACT
WITH PROJECT FUNDS.

3. AS YOU KNOW, WE HAVE PROPOSED A MECHANISM, EMPLOYING
A SPECIAL LETTER OF CREDIT WHICH DEALS PRECISELY WITH
THE TECHNICAL PROBLEM MEISSNER MENTIONED. THIS DISBURSING
PROCEDURE, WHICH COULD BE TIED TO ONE OR TWO PROJECTS,
WOULD ALLOW PROJECT FUNDS TO HAVE A BOP IMPACT DURING
THE PERIOD OF CRITICAL JAMAICAN FOREIGN EXCHANGE
SHORTFALLS. THESE PROJECTS HAVE BEEN APPROVED; THEY
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ARE BEING IMPLEMENTED; THE BOP IMPACT COULD AMOUNT TO
AS MUCH AS \$16 MILLION OVER THE NEXT SEVERAL MONTHS.
MOREOVER, THIS PROCEDURE DOES NOT REQUIRE THE
AUTHORIZATION OR APPROPRIATION OF NEW RESOURCES.

4. I UNDERSTAND THAT AA/LAC, ABELARDO VALDEZ, IS
PREPARING A MEMORANDUM SEEKING GOVERNOR GILLIGAN'S

APPROVAL FOR NOTIFYING THE CONGRESS OF OUR INTENTION TO GO AHEAD WITH THIS PROCEDURE. IT SEEMS TO ME THAT THE REASONS FOR MOVING AFFIRMATIVELY AS WE HAVE PROPOSED HAVE BEEN ENHANCED BY THE OPPORTUNITY PRESENTED WITH THE U.K. IMF EXECUTIVE DIRECTOR'S INITIATIVE. WITHOUT CALLING FOR NEW RESOURCES, THE PROPOSED SLC PROCEDURE WOULD ALLOW US TO CONTRIBUTE BOP SUPPORT TO A DESIREABLE MULTILATERAL EFFORT. OUR CONTRIBUTION, JUDGING FROM THE COMMENTS OF THE VARIOUS DELEGATIONS AS TO THE "CONTINGENT" NATURE OF THEIR POSSIBLE PLEDGES, APPEARS TO HAVE THE PROMISE OF ENCOURAGING OTHER DONORS, THEREBY PRODUCING ATTRACTIVE MULTIPLIER EFFECTS.

5. I AM AWARE OF THE RESERVATIONS WHICH HAVE BEEN RAISED CONCERNING THE SLC PROCEDURE, PARTICULARLY BY THOSE WHO FEAR AN ADVERSE REACTION IN SOME CONGRESSIONAL QUARTERS. IT OCCURS TO ME, HOWEVER, THAT CONSULTATION ON THE HILL COULD BE JUDICIOUSLY USED TO DEAL WITH THIS POSSIBLE REACTION BY MAKING THE FOLLOWING POINTS:

(A) JAMAICA'S IMPORTANCE ON FOREIGN POLICY GROUNDS;

(B) THE SLC PROCEDURE INVOLVES NO NEW FUNDS;

(C) PROJECT INTEGRITY WOULD IN NO WAY BE DILUTED AND THE ORIGINAL GOALS AND PURPOSES OF THE LOANS WOULD BE UNALTERED;
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(D) U.S. TAX FUNDS WOULD BE DOING DOUBLE DUTY--
DEVELOPMENT PROJECTS IN EDUCATION AND AGRICULTURE
WITH FAVORABLE BOP EFFECTS;

(E) WE WOULD BE SUPPLEMENTING AN IMPRESSIVE, RIGOROUS
GOJ/IMF PROGRAM WHOSE SUCCESS IS IN OUR INTEREST; AND,

(F) OUR CONTRIBUTION COULD HELP TO ELECIT CONTRIBUTIONS
FROM OTHER DONORS.

6. I REQUEST THAT ARA ENDORSE THE SLC PROCEDURE AND
THAT YOU TAKE UP THE MATTER PERSONALLY WITH AA VALDEZ
AND GOVERNOR GILLIGAN.

7. INCIDENTALLY, IF I AM NOT MISTAKEN, OUR ASSISTANCE
LEGISLATION PERMITS, UNDER SSA, QUICK DISBURSING BOP
SUPPORT SOLELY FOR THE PURPOSE OF ECONOMIC STABILIZATION.
IN FACT, WE USED THIS MECHANISM IN THE FORM OF A COMMODITY
IMPORT LOAN FOR \$9.5 MILLION THIS FISCAL YEAR. THIS
ROUTE IS THEORETICALLY STILL OPEN TO US. OUR VIEW OF
THIS POST WAS THAT THE SLC PROPOSAL WAS A MORE ATTRACTIVE

WAY OF ACHIEVING U.S. FOREIGN POLICY, INCLUDING DEVELOPMENT
OBJECTIVES.
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